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QUASAR COMMUNICATION TECHNOLOGY HOLDINGS LIMITED

思拓通訊科技控股有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8171)

POTENTIAL ACQUISITION OF INTERESTS IN A COMPANY ENGAGED IN DOOR MEDIA AND ADVERTISEMENT PUBLICATIONS BUSINESSES IN THE PRC

Financial adviser

COMMERZBANK 

Commerzbank AG Hong Kong Branch

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

The Board is pleased to announce that on 18 December 2007, the Company entered into a non-legally binding MOU with the Vendor for the potential acquisition of the entire issued share capital of Legend Century, a company incorporated in the BVI and an Independent Third Party. Legend Century is an investment holding company. The Vendor, the sole shareholder of Legend Century, has warranted that the principal assets of Legend Century prior to the completion of the Acquisition will be the controlling stakes in Protex, the principal business of which is Lift Door Advertisement Publications and Convenience Store Door Advertisement Publications in major cities of the PRC, particularly, Beijing, Shanghai, Guangzhou and Shenzhen. As represented by the Vendor, the Legend Century Group is the pioneering and leading door media group in the PRC in terms of the number of the door faces mandated for advertisement publications which amounted to approximately 13,000 as at the date of the MOU. The Directors believe that the Acquisition provides a good opportunity for the Group to expand into the booming media and advertisement publication businesses in the PRC.

THE MOU

Date

18 December 2007

Parties : The Company
The Vendor

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Vendor and its associates is an Independent Third Party.

Major terms

- 1) The Vendor intends to sell and the Company intends to purchase or procure its nominee(s) to purchase the entire issued share capital of Legend Century subject to the terms and conditions to be set out in the Formal Agreement.
- 2) The Consideration is intended to be satisfied by the Company (i) in cash, or (ii) by allotment and issue of new Shares at an issue price of HK\$0.35 per Share, which approximates the mean of the average closing prices of the Shares as quoted on the Stock Exchange for the last 30 and 60 trading days up to and including the date of the MOU, or (iii) issue of convertible bonds carrying rights to convert into new Shares at a conversion price of HK\$0.35 per Share, or (iv) issue of promissory notes of the Company, or (v) a combination of any of the above.
- 3) A conditionally refundable deposit in the sum of HK\$40,000,000 (the "Deposit") shall be paid by the Company to the Vendor in the following manner:
 - (i) HK\$30,000,000 shall be paid within 14 Business Days from the date of signing of the MOU; and
 - (ii) HK\$10,000,000 shall be paid on a date to be mutually agreed by the parties hereto and subject to the progress of the transactions contemplated in the MOU.

The Deposit will be applied to set off against the Consideration if the Formal Agreement is entered into.

- 4) In consideration of the payment of Deposit, the Vendor granted to the Company an exclusive right for 90 days commencing from the date of signing of the MOU to negotiate the terms of the Acquisition.

- 5) The Formal Agreement shall contain a guarantee to be given by the Vendor in favour of the Company on the audited net profit of Legend Century for the year ending 31 December 2008 prepared under the relevant Hong Kong accounting standards, which is estimated to be approximately HK\$100 million, subject to further negotiations between the parties.
- 6) The Formal Agreement shall be conditional upon, among others, (i) Legend Century having controlling stakes in Protex as its principal assets; (ii) the Company having been satisfied with the due diligence review; (iii) the Company having received a valuation report from an independent valuer opining on the value of Legend Century if required; (iv) approval having been obtained from the meeting of the Shareholders, if required; and (v) all necessary approvals, consents, licenses and authorization on the part of the Vendor and the Company in relation to the Formal Agreement having been obtained.

INFORMATION OF THE LEGEND CENTURY GROUP

Legend Century, a company incorporated in the BVI, is an investment holding company. The Vendor, the sole shareholder of Legend Century, has warranted that the principal assets of Legend Century prior to the completion of the Acquisition will be the controlling stakes in Protex, the principal business of which is new media development and advertisement publications on the outside and inside faces of the entrance doors of lifts in residential buildings, office towers and shopping malls (“Lift Door Advertisement Publications”) as well as outside face of the entrance doors of chained 24-hour operated multi-national and domestic branded convenience stores (“Convenience Store Door Advertisement Publications”) in major cities of the PRC, particularly, Beijing, Shanghai, Guangzhou and Shenzhen. As represented by the Vendor, Legend Century Group is the pioneering and leading door media group in the PRC in terms of the aggregate number of the door faces mandated for advertisement publications which amounted to approximately 13,000 as at the date of the MOU.

According to an independent market research, Lift Door Advertisement Publications is considered to be a lower cost and more effective means of outdoor advertising media when compared with other major outdoor advertising means because the lift doors are the focal points of passengers during their waiting time for the lifts or traveling time inside the lifts. In addition, over 50% respondents of an independent research considered Lift Door Advertisement Publications more pleasant and impressive than other major outdoor advertising means. Accordingly, the Directors consider Lift Door Advertisement Publications as an outdoor dissemination media with significant development potential. The Legend Century Group has secured its Lift Door Advertisement Publications network from national and regional property developers in the PRC. During the second half of 2007, the Legend Century Group has expanded the Lift Door Advertisement Publications network to Convenience Store Door Advertisement Publications through entering into door leasing agreements with multi-national and domestic branded convenience stores in order to speed up its media coverage in prime on-the-street advertising locations where most convenience stores are situated.

The Legend Century Group will expand its Lift Door Advertisement Publications and Convenience Store Door Advertisement Publications to other first-tier cities and penetrate into second-tier cities in 2008 and 2009. Presently, the Legend Century Group has been mandated with 4A advertising companies

and premium direct customers including multi-national corporations and domestic enterprises for advertisement publications for 2008.

REASONS FOR ENTERING INTO THE MOU

The Group is principally engaged in sale and marketing of mobile appliances and relevant parts solutions in the PRC. As stated in the annual report of the Company for the year ended 31 December 2006, due to the competitive and dynamic nature of the mobile phone industry, the turnover of the Group decreased from approximately HK\$273.8 million for the year ended 31 December 2005 to approximately HK\$250.5 million for the year ended 31 December 2006, representing a decrease of approximately 8.5%. In view of the intense competition of the PRC mobile phone industry, the Board has been actively seeking opportunities to broaden the revenue base of the Group.

According to the statistics compiled by the National Bureau of Statistics of the PRC, the household consumption in the PRC increased significantly from approximately RMB4.6 trillion (equivalent to approximately HK\$4.83 trillion) in 2001 to approximately RMB7.1 trillion (equivalent to approximately HK\$7.46 trillion) in 2005, representing a compound annual growth rate of approximately 9.1%, indicating significant potential of the PRC's media and advertising market. Based on a research on the PRC's media and advertising sector, the PRC is one of the fastest growing media markets in the world with total advertising spending growing at a compound annual growth rate of approximately 18.5% from 2005 to 2008. It is expected that due to the hosting of the Olympics Games in Beijing in 2008 and the World Expo in Shanghai in 2010, media and advertising spending will grow even more rapidly. In view of the Legend Century Group's expertise on Lift Door Advertisement Publications and Convenience Store Door Advertisement Publications, the Directors consider that the Acquisition will be a strategic move of the Group and provide a good opportunity for the Group to expand into the booming media and advertisement publication business in the PRC. Accordingly, the Directors consider that the terms of the MOU are fair and reasonable and on normal commercial terms and in the best interests of the Company and the Shareholders as a whole.

GENERAL

Save for the items (3) and (4) under the section headed "Major terms" above, the MOU shall not constitute any legally binding agreement between the Company and the Vendor. All the terms and conditions of the Formal Agreement are subject to further negotiations between the parties.

The MOU may or may not lead to the entering into of the Formal Agreement and the transactions contemplated thereunder may or may not proceed. In the event that the transactions contemplated under the Formal Agreement (including the Acquisition) materialize, such transactions may constitute a notifiable transaction of the Company under the GEM Listing Rules. In such event, the Company will make further announcement in relation to the details of the transactions contemplated under the Formal Agreement as and when required by the GEM Listing Rules. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise

“Acquisition”	the potential acquisition of the entire issued share capital of Legend Century
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks generally are open for business in Hong Kong throughout their normal business hours
“BVI”	British Virgin Islands
“Company”	QUASAR Communication Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“Consideration”	the aggregate consideration to be payable by the Company to the Vendor in relation to the Acquisition
“Director(s)”	the director(s) of the Company, including the independent non-executive directors of the Company
“Formal Agreement”	the formal sale and purchase agreement to be entered into between the Vendor and the Company with respect to the Acquisition
“GEM”	Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) which is/are third party(ies) independent of the Company and its connected person(s) as defined under the GEM Listing Rules
“Legend Century”	Legend Century Investments Limited, a company incorporated in the BVI and an Independent Third Party
“Legend Century Group”	Legend Century and Protex

“MOU”	the memorandum of understanding entered into between the Company and the Vendor on 18 December 2007 in relation to the Acquisition
“PRC”	the People’s Republic of China
“Protex”	Protex Systems Holdings Limited, a company incorporated in the BVI and an Independent Third Party
“Share(s)”	the ordinary shares with par value of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Ocean Space Development Limited, a company incorporated in the BVI and an Independent Third Party
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
QUASAR Communication Technology Holdings Limited
Chan Ka Wo
Chairman

Hong Kong, 18 December 2007

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ are based on the approximate exchange rate of RMB1.00 = HK\$1.05 for illustration purpose only. No representation is made that any amount in Hong Kong dollars or RMB could have been or could be converted at the above rate or at any other rates.

As at the date of this announcement, the executive Directors are Mr. Chan Ka Wo, Ms. Yu Xiao Min, Mr. Cho Hui Jae and Mr. Li Tan Yeung Richard and the independent non-executive Directors are Mr. Li Meng Long, Mr. Sze Lin Tang and Mr. Leung Wing Kin.

This announcement, for which the Directors collectively and individually accept full responsibilities, include particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this announcement is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumption that are fair and reasonable.

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** For identification purposes only*